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Mthuli Ncube
Chief Economist
and Vice President
ECON
m.ncube@afdb.org
+216 7110 2062

Charles Leyeka Lufumpa
Director
Statistics Department
ESTA
c.lufumpa@afdb.org
+216 7110 2175

Victor Murinde
Director
African Development
Institute
EADI
v.murinde@afdb.org
+216 7110 2075

Désiré Vencatachellum
Director
Development Research
Department
EDRE
d.vencatachellum@afdb.org
+216 7110 2076

Floribert Ngaruko
Task Manager
African Development
Institute
EADI
f.ngaruko@afdb.org
+216 7110 3843

Tochukwu Nwachuku
Consultant
African Development
Institute
EADI

Enhancing Capacity for Youth Employment in Africa

Some Emerging Lessons

The majority of unemployed people in Africa are aged 15-24. Despite an impressive annual growth rate of more than 5 percent in recent years and commendable progress achieved in the area of education, Africa has been unable to significantly expand employment opportunities for young people. While this makes it imperative to improve the integration of young people into the labor market, little is actually known about how capacity should be strengthened for enhanced youth employment in Africa. This Africa Capacity Development Brief focuses on some of the most salient aspects of the emerging consensus on youth unemployment in Africa. It aims to share knowledge on youth unemployment in the Continent, the challenges that it poses, and the options likely to help enhance it.

1 Youth Unemployment in Africa: Some Key Stylized Facts

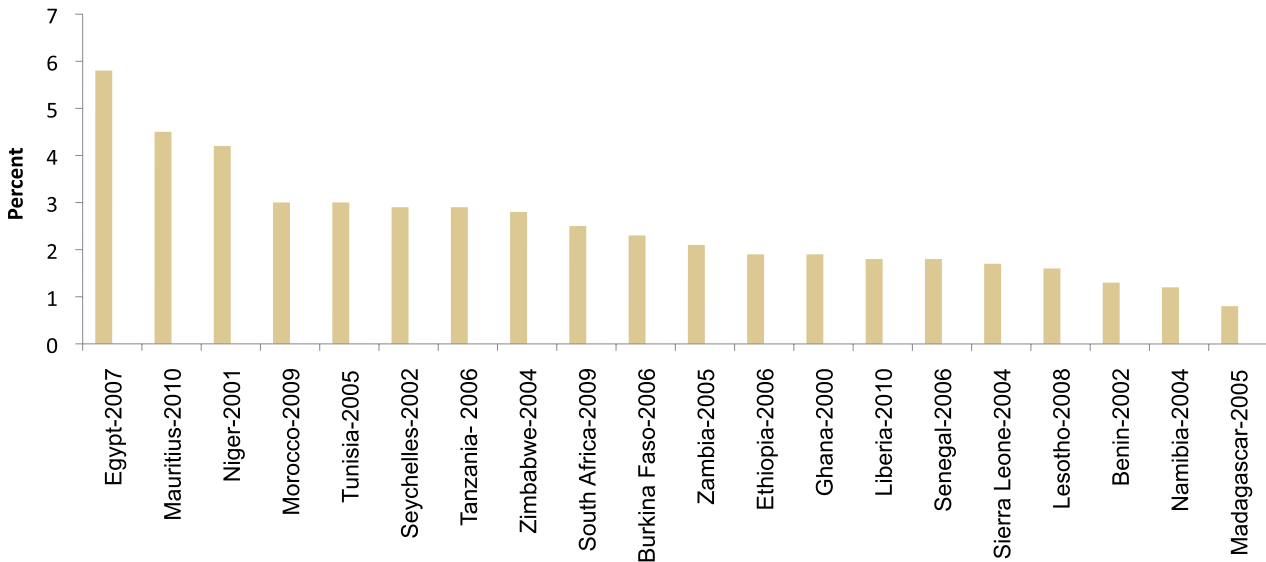
With close to 70 percent of its population aged below 25, Africa is the youngest continent in the world. The youth population constitutes about 37 percent of the total labor force, a social category that is projected to expand more rapidly than anywhere else in the world (OECD, 2011). There are more than 200 million youth in Africa, comprising over 20 percent of the continent's population. Besides, young people make up about 60 percent of total unemployment in Africa. This ratio rises sharply in countries like Egypt, Mauritius and Niger where young people are more likely to be unemployed compared to their

adult counterparts by a much wider margin (figure 1).

In North Africa, where economic activity has been disrupted as a result of the political upheavals, youth unemployment is likely to further increase in 2011. There is evidence that youth unemployment rate in North Africa stood at 23.7 percent in 2009, and is estimated to have remained at that level in 2010. This figure is twice that in sub-Saharan Africa, where youth unemployment rate was 11.9 percent in 2009. On the other hand, Africa presents the highest proportion of illiterate youth in the world, estimated at about 25 percent. Estimates suggest that about 133 million young people, accounting for over 50 percent of the youth population in Africa, are

Any question in relation to this brief should be addressed to : f.ngaruko@afdb.org.

Figure 1 Ratio of Youth to Adult Unemployment Rate



Source: ILO, Key Indicators of the Labor Market, seventh edition (2011).

uneducated [International Labor Organization (ILO): 2011]. Many young people are lacking in relevant skills, while those that have some form of education, often exhibit skills that are at odds with current demand in the labor market.

Hence, paradoxically, African countries are increasingly experiencing the phenomenon of the ‘educated unemployed’ resulting from mass higher education. About five million graduates are produced annually by African universities, with many displaying low employment capacities when they enter the labor market.

Due to their inadequate skills level, little or no work experience and limited access to networks, most African youth engage in low quality jobs, mostly in the informal sector of the economy which accounts for about 90 percent of the jobs created in the Continent (World Bank, 2009). Consequently, the incidence of working poverty

is higher among the youth compared with adult workers in most African countries (ILO 2011). The mismatch between the skills acquired in the education system and those required by the economy is also widening income inequalities and fuelling social tensions.

This constraint, coupled with the absence of adequate collateral and employment track record, combine to prevent young people from contributing to increasing production in the economy. Young people are thus, often at the centre of a vicious cycle of poverty, inadequate education and training as well as low-productive jobs, mostly in the informal economy.

This unfortunate combination of circumstances creates an endless trail of intergenerational poverty. Indeed, youth unemployment often remains high even in countries with lower poverty incidence. There is now a large recognition that youth

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“Many young people are lacking in relevant skills, while others exhibit skills that are at odds with demand in the labor market.”

“Due to inadequate skills, most African youth engage in the informal sector, which accounts for 90 percent of the jobs created.”

“Pervasive and structural, youth unemployment in Africa will be tackled only if youth employment is treated as a core strategic objective of development policy.”

unemployment in Africa is driven by structural problems, and that to significantly improve African countries’ capacity to enhance youth employment in a sustainable manner, an integrated strategy that focuses on such different aspects as government policy, private sector investment, education, competitiveness issues, as well as impediments to both economic growth and entrepreneurial development is a requirement.

2 Charting the Way Forward: Treating Youth Employment as a Core Strategic Objective

The recognition of the multifaceted and structural character of the drivers of youth unemployment has led to a growing consensus on some broad measures likely to help address the problem. Given that youth unemployment in Africa is so pervasive and deeply rooted in the structures of African economies it can only be successfully tackled if youth employment is treated as a core strategic objective of development policy. Among other implications, this requires that youth employment be articulated with other major development objectives and be reflected in usual strategic planning processes such as Poverty Reduction Strategy Papers, Country Strategy Papers, and the like.

From a programmatic viewpoint, this means that the process whereby alternative growth and poverty reduction scenarios are simulated and quantitative targets set should allow for simultaneously setting youth em-

ployment targets as well. The relationship between GDP, employment, and productivity allows for this in a two-stage process: firstly setting overall employment increase targets; and secondly setting youth employment increase targets (Box 1).

Box 1 Setting Youth Employment Targets in Articulation with Growth Objectives

GDP (or the aggregate value added by active individuals in an economy) is a function of the number of these individuals and the average value added by each of them (or average productivity). This means that any variation in the number of employed people is equal to the difference between the variation in GDP and the variation in the average productivity of an employed person—all variations being captured in percentage points.

This rule allows articulating youth employment objectives with other conventional development objectives, especially economic growth, in a double-stage process: the first stage consists in simultaneously deriving growth and overall employment variation targets, for a given evolution of average productivity. In the second stage, employment scenarios and targets can be devised for specific groups (e.g. youth; women; sub-national constituency; etc.).

Thus, policy makers can opt for promoting youth and elders’ equal access to the labor market by setting the same target of employment increase for youth as for the elders in a given period. Alternatively, they can opt for more voluntarism in promoting youth employment by setting a target that is higher for the youth—meaning that the youth employment growth rate would be higher than that of elders. The Government can even decide to freeze the elders’ employment by setting a target equal to zero to allocate all the additional jobs to be created in the economy to the youth.

Source: Ngaruko (2011).

3 Tackling both supply and demand-side constraining factors

Another bold lesson that decades of experience in capacity development have taught is that performance in areas severely affected by structural problems tends to settle at the level determined by the supply-side capacity and the demand for such performance. Thus, to effectively and sustainably enhance youth employment, there is need to tackle both supply and demand-side constraints. This means that means that the enhancement of employability skills of the youth must go hand in hand with adequate incentives to employ them.

Some of the demand-side aspects that call for attention have been identified by the International Labor Organization as follows:

- o African economies are enclaves characterized by excessive dependence on primary commodity exports, predominance of subsistence agriculture, and capital-intensive extractive industries, all of which have low potential for job creation for the youth;
- o Given its emphasis on low-skilled labor, the private sector is generally unable to contribute to the development of employment and to the creation of stable jobs for the youth;
- o The investment climate prevalent in Africa is hardly conducive to the creation of productive jobs, especially in the informal sector where the bulk of the youth is condemned to precarious jobs; and
- o Weak institutional capacity and lack of adequate infrastructure (including roads and Information and Communication

Technologies), particularly in rural areas, have hampered the creation of jobs for the youth.

It has long been recognized that enhancing the employability skills of the youth, for instance through training, as a supply-side response aimed to enable them to connect with other providers of the value chain would help raise youth employment significantly. This has however not been much the case. Hence, there is need to develop capacity for entrepreneurship as a major driver of new job creation. In the light of recent insights on the profile of African entrepreneurs (Kelly et al., 2011), some of the measures required for entrepreneurship to meaningfully contribute in promoting youth employment include:

- o Vertical strengthening of the educational system not only to improve employability skills, but also to include broad acceptance of entrepreneurial skills and development;
- o Supporting the financial system to provide flexible and timely credit as well as risk willing capital (e.g. in the form of venture capital).
- o Improving market information as well as access to local and international markets;
- o Supporting value chains that provide incentives to form linkages with multinational corporations in order to stimulate competitiveness and internationalization of local enterprises.

4 Improving on the Process

There is a consensus that for capacity enhancement support to yield sustainable re-

“To effectively and sustainably enhance youth employment, there is need to address both supply and demand-side constraints ”

“To obtain tangible results, enhancing employability skills of the youth, as a supply-side response, will need to be complemented with entrepreneurship capacity improvement ”

“For sustainable results, adequate sequencing of support and continuous knowledge generation on youth unemployment and its drivers will be required.”

sults, the content of such support is as important as the process of its delivery. Thus, while addressing the supply-side and the demand-side constraints to youth employment, one critical aspect is the sequencing of the support. Of critical importance, in this respect, is the sequencing of measures meant to structurally align the system of incentives for enhanced employment of the youth, and minor corrective measures aimed at addressing temporary dysfunctions.

In deed, it was thought for a long time that minor corrective measures such as vocational training and provision of information about jobs, market needs and niches could be effective means of helping young people respond to the needs of employers. The assumption was that this would suffice to prevent the formation of sustained labor market black holes in which entire social groups could be durably caught. Such interventions have had limited success. They are particularly likely to be insufficient to overcome the situation of high levels of youth unemployment since the causes are structural. However, it is increasingly evident that once these structural factors are addressed, such corrective measures can prove effective in fostering youth employment.

Also critical for a substantial improvement in the process of capacity enhancement for youth employment is the need to continuously generate and share new know-

ledge and data to update the understanding of youth unemployment and its drivers, and to assess progress. As youth employment will be streamlined in development policy, such knowledge could be part of usual Economic and Sector Work (ESW) and Analytical and Advisory Activities (AAA), in addition to being part of conventional research work.

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